

Message Text

SECRET

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ACTION NEA-10

INFO OCT-01 AF-08 ISO-00 CIAE-00 DODE-00 PM-04 H-01 INR-07
L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06
OMB-01 SSM-03 EB-07 (ISO) W
----- 076537 /21

R 210400Z DEC 76
FM AMEMBASSY SANA
TO SECSTATE WASHDC 9902
INFO AMEMBASSY AMMAN
AMEMBASSY CAIRO
AMEMBASSY JIDDA
AMEMBASSY KHARTOUM
AMEMBASSY KUWAIT
AMEMBASSY MUSCAT
AMEMBASSY TEHRAN

S E C R E T SANA 4462

E.O. 11652: GDS
TAGS: PFOR, YE, YS
SUBJECT: PDRY/YAR RELATIONS

REF: SANA 2448

BEGIN SUMMARY. YAR/PDRY AGREEMENTS OF LAST SUMMER TO GENERATE
INCREASED MOVEMENT OF TRADE AND PEOPLE HAVE MOVED AHEAD. IN
ABSENCE OF ANY SAUDI OBJECTIONS, YEMENIS ASSUME THEIR
NEW AND IMPROVED RELATIONS WITH PDRY SUPPORT SAUDI MOVES TO
SEEK A MOR MODERATE SOUTH. END SUMMARY.

1. YAR MINISTER OF STATE AHMAD ABDU SAID VISITED ADEN IN
JULY OF 1976 TO DISCUSS RANGE OF TRADE AND OTHER STEPS THAT
WOULD BE MUTUALLY BENEFICIAL TO ECONOMIES AND GOOD RELATIONS
OF BOTH COUNTRIES.

2. IN EARLY DECEMBER 1976, SAID MADE A SECOND TRIP
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TO ADEN WHERE HE WAS AGAIN RECEIVED WITH CONSIDERABLE
PUBLICITY AND GIVEN HIGH LEVEL ATTENTION BY MINISTERS
AND PDRY PRESIDENT SALIM RUBAY'I ALI.

3. SAID SAYS RELATIONS WITH PDRY MUST PRESENTLY BE
DESCRIBED AS SEXCELLENT. THERE IS, OF COURSE, CONTINUING

DISTRUST IN SECURITY CIRCLES CONCERNING LONG TERM PDRY INTENTIONS VIS-A-VIS YAR. ARRESTS AND INTERROGATIONS OF LEFTISTS WHO APPARENTLY HAD LINKS TO THE SOUTH (SEE SANA 3359, 2731, 2622) ARE ILLUSTRATIONS OF REASONS FOR THIS CONCERN. NEVERTHELESS YEMENIS BELIEVE THEY HAVE DEMONSTRATED BOTH TO PDRY AND DOMESTIC RIGHTIST CRITICS THAT THEY ARE CAPABLE OF CONTROLLING LEFTIST SUBVERSIVE ACTIVITIES AND THUS HAVE A BASIS FOR HARD-HEADED ECONOMIC DEALINGS WHICH WOULD LEAD TO MORE TRADE AND MOVEMENT OF PEOPLE BETWEEN THE TWO COUNTRIES.

4. YAR HAS, THEREFORE, WEIVED PROHIBITION PRIEVIOUSLY PLACED IN ALL LETTERS OF CREDIT ON USE OF ADEN AS A TRANSIT PORT OF YAR. SAID SAYS THAT, WITH 90-DAY DELAYS IN HODEIDAH, LETTERS OF CREDIT ARE NOW ACTUALLY BEGINNING TO REQUIRE ADEN AS TRANSIT PORT, PARTICULARLY IF SHIPMENT IS TO TAIZ OR OTHER PARTS OF SOUTHERN YAR. FOR INSTANCE, SAIDB SAID, I LAST TWO MONTHS 15 PERCENT OF LETTERS OF CREDIT WRITTEN IN TAIZ BANKS HAVE SPECIFIED ADEN AS TRANSIT PORT. PROPORTION SHOULD RISE SHARPLY IN COMING MONTHS.

5. PDRY IS FOR ITS PART DOEING WHAT IS CAN TO REDUCE SUSPICIONS AND ANIMOSITIES OF MERCHANTS IN YAR. PDRY HAS AGREED, FOR INSTANCE, ON FORMATION OF JOINT SHIPPING COMPANY TO TANSPORT GOODS FROM ADEN TO YAR. WHILE COMPANY WOULD BE STATE-OWNED AND LOCATED IN PDRY, IT WOULD SUBCONTRACT WORK TO YEMENI SHIPPING AGENTS, MANY OF WHOM GOT THEIR START IN ADEN DURING BIRITISH TIMES
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AND WERE FORCED TO RELOCATE IN YAR AFTER INDEPENDENCE OF PDRY. SHIPPING COMPANY, THEREFORE, SHOWS FIRST SIGNS OF PDRY WILLINGNESS TO DEAL WITH CLASS OF PEOPLE WHO PREVIOUSLY DOMINATED ECONOMIC LIFE IN THE SOUTH AND STILL WISH TO RETURN TO THEIR HOMES AND FAMILIES THERE.

6. PDRY HAS ALSO AGREED TO ALLOW YAR TO SET UP ITS OWN CUSTOMS OFFICE IN PORT OF ADEN. APART FROM NORMAL PORT AND DEMURRAGE FEES, PDRY WILL TAX TRANSIT TRADE AT VERY LOW RATE. YAR OFFICIALS SAY THEY BELIEVE ARRANGEMENT CAN BE WORKED OUT TO SEND CONTINGENT TO PDRY PORT BUT THAT THEY ARE ALSO CONSIDERING BEEFING UP THEIR CUSTOMS OFFICES AT BORDER POINTS NEAR TAIZ.

7. PROBLEM IN PAYMENT MECHANISM HAVE BEEN SOLVED BY YAR CONCESSION TO PAY IN YEMENI RIYALS, WHICH IS

IN EFFECT A HARD CURRENCY. SAID SAYS THAT NO HEADWAY HAS YET BEEN MADE ON THE QUESTION OF USING ADEN REFINERY TO SUPPLY YAR BUT THAT EFFORTS ON THIS QUESTION WILL CONTINUE AS IT IS CLEARLY IN THE INTERESTS OF BOTH TO PUT THIS FACILITY INTO USE.

8. IN ANOTHER AREA OF PRIOR AGREEMENT IN PRINCIPLE, YAR AND PDY HAVE BEGUN TO SHIP EACH OTHER AGRICULTURAL PRODUCE. SAID SAYS THAT YEMENI POTATOES ARE ON SALE IN ADEN AND MELONS FROM COAST OF PDY ARE NOW BEING MARKETING IN SANA. THIS TRADE IS LIKELY TO REMAIN SMALL BUT IT WILL INCLUDE PDY TOMATO PASTE AND CANNED FISH AND LOBSTER.

9. FINALLY, SAID NOTED THAT ALL REQUESTS HE MADE FOR RELEASE OF PEOPLE FROM PRISON (FOR INSTANCE VICTOR DICK) OR FOR PERMISSION FOR FAMILIES TO TRAVEL ABROAD, HAVE BEEN GRANTED BY PDY GOVERNMENT.

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10. COMMENT: YAR PRESIDENT AL-HAMDI HAS NOW MET SALIM RUBAY'I ALI THREE TIMES OUTSIDE OF YEMEN AND THERE IS TALK OF AN EXCHANGE OF VISITS BETWEEN THE TWO RULERS. THE PUBLICITY WHICH "UNITY" BETWEEN THE TWO YEMENS GETS IN LOCAL PAPERS HAS EXPANDED IN RECENT MONTHS AND THE AGREEMENT ON MOVEMENT OF TRADE AND PEOPLE IS ANOTHER SIGN OF GROWING GOOD RELATIONS BETWEEN NORTH AND SOUTH YEMEN. THERE IS NO RPT NO CHANCE THAT THE GOVERNMENTS WILL EVER UNITE IN ANY REAL SENSE ALTHOUGH THEY HAVE MADE PERIPHERAL AGREEMENTS TO REPRESENT EACH OTHER'S INTERESTS IN COUNTRIES WHERE THE EMBASSY OF ONLY ONE IS LOCATED. SIGNIFICANCE OF GOOD RELATIONS IS REFLECTED IN YAR POLITICAL CONFIDENCE, ON ONE HAND, AND PDY FLEXIBILITY IN ECONOMIC AND IDEOLOGICAL MATTERS, ON OTHER HAND. TO THE EXTENT THAT NEW AGREEMENTS CONFER ECONOMIC ADVANTAGE IT IS LIKELY TO BE RELATIVELY MORE IMPORTANT TO NEEDY SOUTH THAN TO BOOMING NORTH. THIS HAS POTENTIAL FOR OPENING SPLITS IN SOUTHERN LEADERSHIP, WHICH HAS BEEN COMPLETELY SOCIALISTIC AND AUTARCHIC IN THE PAST. THIS OFFSETS ECONOMIC ADVANTAGES (AND POSSIBLY NEW STRENGTH) WHICH RADICAL GOVERNMENT IN SOUTH WILL GAIN. YAR MOVES SHOULD THUS SUPPORT SAUDI EFFORTS TO BRING OTHER AND MUCH LARGER FINANCIAL BLANDISHMENTS TO BEAR ON SOUTH YEMENI GROUP WHICH IS PREPARED TO PURSUE MORE MODERATE COURSES IN FOREIGN POLICY AND DOMESTIC ECONOMIC AFFAIRS. THERE IS NO QUESTION IN SAID'S MIND THAT PDY IS STILL "BUNCH OF BASTARDS" IN HIS OFTEN REPEATED PHRASE, BUT HE SAYS THEY ARE

BECOMING SOMEWHAT EASIER TO DEAL WITH.
SCOTES

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NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FOREIGN RELATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 21 DEC 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: CunninFX
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976SANA04462
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760467-1052
From: SANA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19761224/aaaaauky.tel
Line Count: 171
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: SECRET
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: SECRET
Previous Handling Restrictions: n/a
Reference: 76 SANA 2448
Review Action: RELEASED, APPROVED
Review Authority: CunninFX
Review Comment: n/a
Review Content Flags:
Review Date: 10 JUN 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <10 JUN 2004 by greeneet>; APPROVED <04 OCT 2004 by CunninFX>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PDRY/YAR RELATIONS
TAGS: PFOR, ETRD, YE, YS
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006